



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

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The Dire Consequences of the House Republican Budget

Dear Democratic Colleague:

This week, the budget conferees are resolving differences between the House Republican and Senate Republican budgets. One decision they face is whether to reverse the House Republican budget's destructive cuts to programs that provide health care, nutrition, and income security for millions of vulnerable low-income Americans. The House Republican budget endorses virtually in full the President's massive \$1.4 trillion in tax cuts. To help offset those tax cuts, the budget assumes \$265 billion in cuts to mandatory programs. Under the assumptions in the House Republican budget, more than half of those cuts would fall on Medicaid, food stamps, school lunches, and other programs that help low-income working families, children, and aged and disabled individuals. While the Senate Republican budget is not quite as draconian, it also imposes deep cuts in priority domestic programs to fund an oversized tax cut.

The attached column by David Broder in the March 30 edition of *The Washington Post* describes how the House Republican budget erodes the safety net to pay for an oversized tax cut that mainly benefits Americans who need help the least. Broder warns that if the program reductions in the House Republican budget prevail in conference, "expect dire consequences for many Americans." Neither the President's budget nor the Senate Republican budget includes these substantial cuts to safety-net programs. Fortunately, even House Republicans appear to be having second thoughts. On April 1, the House voted 399-22 in favor of the Democratic motion to instruct conferees on the budget resolution (House Concurrent Resolution 95) to reject \$215 billion in cuts to Medicare, Medicaid, school lunches, student loans, veterans' programs, and other programs important to the American people.

Mr. Broder's column focuses on the harm caused by the mandatory spending reductions in the House Republican budget. The House and Senate Republican budgets also impose harmful cuts on annually appropriated domestic programs. The Senate Republican budget cuts domestic discretionary funding by \$163 billion below the amount necessary to maintain current services over ten years. The House Republican budget is even worse, cutting this funding by \$244 billion. Within this total, the House Republican budget slashes funding for housing and other annually appropriated income security programs in 2004 by \$4.0 billion, or 8.3 percent, below the amount necessary to maintain purchasing power at the 2003 level. This cut, if applied across the board, translates into at least 75,000 poor families losing housing assistance in 2004. The

Senate Republican budget provides \$1.3 billion more than the House for these programs but still falls \$2.7 billion short of the amount necessary to maintain current services, closely tracking the President's budget. For even more details about the deep cuts and fiscally irresponsible nature of both budgets, you may want to review "Bad versus Worse: Comparison of House and Senate Republican Budget Plans for Fiscal Year 2004" on our House Budget Committee Democratic website at the following address:

http://www.house.gov/budget_democrats/congressional_budgets/fy2004/budget_comparison.pdf

Sincerely,

John M. Spratt, Jr.
Ranking Member

A Budget of Dire Consequences

By David S. Broder

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I am about to conduct class warfare -- not because it's my ideological preference but because the facts compel it.

While America and the world focus rightly on the battles in Iraq, House and Senate negotiators this week will try to put the finishing touches on a budget that will set priorities for the federal government.

Neither the House nor the Senate budget truly addresses the needs of the nation. Neither one has the degree of fiscal discipline needed in a country at war and mired in a struggling economy. Either one would add close to \$2 trillion to the national debt over the next 10 years.

But there is a big difference between the two versions. The House budget provides twice as big a tax cut, principally for affluent Americans, as does the Senate's. And the House version would deal low-income Americans, particularly children, a much heavier blow. If the House version -- or something close to it -- prevails, expect dire consequences for many Americans.

The House budget, passed by a three-vote margin on a virtually straight party-line roll call, would require Congress to cut entitlement programs by \$265 billion over the next decade. (Cuts are measured against the current service levels, adjusted for inflation.)

But because the House budget assumes no cuts are allowed in Social Security, Medicare, unemployment insurance and veterans' retirement benefits, the private Center on Budget and Policy Priorities calculates that at least \$165 billion would have to come out of low-income programs.

The biggest hit would be in the Medicaid program, which provides health care for low-income families and nursing home care for many of the elderly. Other targets would be child care and children's health insurance programs.

Medicaid is a shared responsibility of federal and state governments, and the states have been asking Washington for more help for the past two years. With drug prices rising and the slow economy making private health insurance unaffordable for more and more families, state Medicaid spending has been running out of control.

As the states face their own budget crises this year, almost every one of them is being forced to drop people from Medicaid, to cut their services or to do both in a desperate bid to trim spending to match declining revenue.

The National Association of State Budget Officers says the states have to close a \$29 billion gap in their current-year budgets and fill an \$82 billion hole for next year. The Kaiser Commission on Medicaid says every state but one has made cuts or announced plans to trim Medicaid.

In an article last week for Stateline.org, journalist Pamela Prah wrote, "Because of the cuts, nearly a half-million older people in Massachusetts are no longer eligible for eyeglasses or false teeth from the

state. More than 100,000 poor people in Oregon lost dental, outpatient and other Medicaid services. And the Illinois Medicaid program has started requiring patients on Zoloft to buy stronger-dose pills and split the pills in half."

Rather than throw a lifeline to the states and these people, the House budget would cut federal funding for Medicaid by \$92 billion and also reduce other vital programs. Veterans' benefits are slated to take a \$14 billion hit. A similar cut is required for the earned-income tax credit, a subsidy for the working poor. Food stamps would be reduced by \$13 billion, school lunch and other child nutrition programs by \$6 billion. There are also multibillion-dollar reductions in store for such programs as foster care and adoption assistance and child support enforcement.

And what is driving all this? Room must be made, the House Republicans insist, for the full \$726 billion tax cut that President Bush wants to add this year to the massive cut he pushed through Congress -- in a time of supposed surpluses -- in 2001. The Senate voted to limit the new tax cut to \$350 billion, still an extravagance but not one so large as to force these reductions in low-income programs. The trade-off involves Bush's proposal to eliminate taxes on most dividends -- an additional benefit that, it is estimated, will help bring the promised tax cuts for millionaires to the nice round sum of \$90,000 a year.

What kind of values would say it's more important to help the rich?

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